



## Community Development Block Grant (CDBG) Redesign Working Group (RWG)

### Summary of Meeting

June 8, 2018

11:00 am – 3:00 pm

**Participants:** Lorie Adams, Paul Ashby (*phone*), Esperanza Colio, Terry Cox, Rob Choate, Rachelle Kellogg, Susan Long, David Loya (*phone*), Heather MacDonald, Robert Mansfield, Mary Pitto (*phone*), Gurbax Sahota, Kathleen Weissenberger, Chris Westlake  
HCD: Ginny Puddefoot (facilitator), Jeri Amendola, Lisa Bates, Ron Bauer, Charles Gray, Nikki McCay, Jim Miwa, Diane Moroni, Maziar Mossavahi, Karen Patterson, Leticia Ramos

**Meeting Materials:** Agenda; HCD Grant Management Staff Map; Draft SB106 Report Sections: LA County CDBG Program Profile; Draft Eligible Activities Analysis; Draft Redesign Roadmap; Draft Redesign Timeline-Post June 30, 2018; Draft May 11, 2018 Meeting Summary; May 11, 2018 Action Items Report

### Agenda Items

#### **Welcome, Introductions, and General Updates**

Ginny confirmed agenda items and reviewed meeting expectations. Stakeholders requested the opportunity to meet the HCD staff dedicated to the CDBG program (from the newly consolidated Grant Management section). Several staff joined the meeting and introduced themselves. Ginny emphasized that all HCD staff working on the CDBG program are welcome to participate in RWG meetings.

### Discussion Items

#### **Item: Grant Management Section Current Operations (GMS)**

Members Terry Cox and Craig Schlatter requested this item to discuss the operations of the newly formed Grant Management Section (GMS). They raised the following issues:

- Grant closeout processes and policies are not consistent and the internal process can take nine months before any work is received.
- Commitment for ongoing communication of GMS transition process, from current CDBG program to redesigned program, is critical with regard to how HCD will communicate implementation, changes in processes, policies, and programmatic updates.

Members reported that program knowledge appears to be concentrated with very few staff and not shared among reps; therefore, reps are not knowledgeable, requiring constant input from managers as demonstrated by the repeated practice of reps saying they will ask and follow up. HCD responses to questions appear to be inconsistent, possibly based on the rep's interpretation, and not shared with all grantees. Stakeholders suggested several strategies to improve consistency, and HCD staff responded that improvements are underway. Kathleen also raised the point that as process and procedures are captured and

memorialized, and as the Grant Management Manual (GMM) is revised, consistency will be improved.

One specific suggestion to improve consistency right away is that staff create an Issue Log/FAQs that all CDBG staff contribute to, based on questions they or stakeholders raise. Once answers have been discussed and decisions made internally, the information should be disseminated to all CDBG staff to ensure consistency. Additionally, in order to improve communication with stakeholders, the Issues Log/FAQs should be posted on the CDBG website and updated weekly (or as needed). Members also suggested there be a prominent place on the website for stakeholders to submit questions or suggestions for review and inclusion in the Issues Log/FAQs. Over time, the Issue Log/FAQs would become the basis for Management Memos or revisions to the GMM.

Communications between HCD and stakeholders will continue to be an on-going topic of future Redesign Working Group and Advisory Committee meetings.

**Item: RWG Meeting Action Items (Recommended Actions)**

The table below provides the updates on Action Items from the May 11<sup>th</sup> RWG meeting. These Action Items were discussed briefly at the meeting.

Meeting Date Reference	Action Item	Status
May 11, 2018	Schedule CDBG Advisory Committee meeting	Completed, will be June 8th
May 11, 2018	Provide “Next Steps” mapping and timeline	Provided for Redesign Working Group meeting, 6/8/18
May 11, 2018	CDBG Program Updates ListServe - EBlast	Completed, 6/5/18
May 11, 2018	Communicate status of 2017 awards and 2018 NOFA release	Will be discussed at Advisory Committee Meeting, 6/8/18
May 11, 2018	Provide CDBG Program Manager and Representative Contact Information	Link to <a href="#">CDBG Rep Map</a>
May 11, 2018	Schedule webinars to review SB 106 report	TBD after June 30, 2018
May 11, 2018	Schedule RWG meetings thru 12/31/18	Provided for Redesign Working Group meeting, 6/8/18
May 11, 2018	Update CDBG Advisory Comm Charter	TBD after June 30, 2018

**Item: Status of ED OTC post-June 30th, 2018**

Ginny confirmed the decision by HCD’s Legal Affairs Division that SB106 language does not prevent or abolish the ED OTC program and gives HCD the option of continuing the program post-June 30th. Ginny advised the RWG that there was no internal opposition to ED OTC. Stakeholders strongly recommended that a designated single point of contact within HCD with solid ED OTC expertise should be assigned to manage the program given its complexity. Stakeholders also provided feedback that the ED OTC application review, underwriting, and approval processes take too much time. The most recent application took nine months for a decision.

Gurbax recommended the formation of an external loan committee made up of experienced ED underwriters. Because it is a very complicated program requiring expertise in all areas of underwriting, she suggested CALED lead the effort to identify experienced business underwriting candidates to voluntarily participate. Chris Westlake explained that external loan committees were formerly a part of the approval process for all HCD programs and questioned the shift to internal loan committee. Members of the RWG agreed that the former external loan committee process worked well in the CDBG program.

As part of CDBG redesign, it was recommended that an external loan committee be established for the ED OTC program. Another suggestion was that local jurisdictions be required to have the underwriting analysis completed before submitting their ED OTC application to HCD. Upon HCD receipt, the package could be reviewed by ED OTC staff to render a final loan decision.

### **Item: Draft SB106 Report Discussion**

#### Report Outreach

The final SB 106 Report will be posted to the HCD website and an e-blast with a link to the report will be sent to list-serve recipients. Ginny indicated the theme of the report is to reflect where HCD is in the redesign process and next steps: development of the new program guidelines, GMM, and NOFA, among other things. Stakeholders expressed frustration that draft sections of the report were provided too late for review prior to the June 8<sup>th</sup> meeting. The group recommended that HCD prepare talking points on redesign and the SB 106 report for RWG members to provide additional outreach to local jurisdictions.

#### LA County CDBG Program Profile

It was noted by stakeholders that the LA County program does not fund ED activities from its annual allocation, making all annual funding available for Community Development activities; and that ED activities are available through a CDBG Revolving Loan Fund. There was discussion that some of the success of the LA County program was due to 1) the online grant management system; 2) dedicated staff; and 3) on-going training, planning, and technical assistance with participating jurisdictions.

#### Program Income (PI)

Stakeholders expressed concern that the PI caps were too low for some activities and asked for clarification on the meaning of “revolving.” It was also clarified that PI funds can be used for all activities.

#### Eligible Activities

There was an extensive discussion of the report section on the possibility of reducing allowable activities. In particular, the idea of eliminating the activities with very low application levels, as measured by amount of funding requested, was pointed out as being flawed for at least two reasons: 1) a lot of the activities with low application funding levels was due to the lower levels of funding requested for some activities (such as Public Services), and 2) past demand is not necessarily a reflection of future demand, (e.g. fire-related, employment training, or homelessness-related activities). Stakeholders recommended HCD look at the number of applications rather than the funding level requested, as a more accurate reflection of demand, and consider letting local jurisdictions identify their top 3-5 priority activities for funding in an annual NOFA, possibly based on a survey monkey. There was also discussion about using local priorities versus state objectives to limit activities, with a strong

recommendation that since this is one of the few flexible funding sources available for small and rural jurisdictions, HCD should do all it can to preserve this flexibility. Kathleen noted that there are other states that limit the available activities in one way or another.

### Operations Redesign

HCD staff presented an update of the changes in HCD Operations and walked through the major changes and their positive impact on stakeholders and grantees. This discussion reflects the section in the SB 106 Report focused on HCD Operational and Organizational Improvements.

### Economic Development

This issue was discussed earlier in the meeting, with the addition of stakeholders expressing their concern that ED and/or ED OTC was vulnerable to elimination under future HCD leadership. There was acknowledgment that one way to ensure this does not happen is to seek follow-up legislation.

Kathleen advised that Chapter 21-Economic Development is a work in progress and cannot be completed until the program guidelines are finished. Currently, the chapter is in a draft prototype form that will be modified between now and June 30 and submitted with the final SB 106 Report.

### **Item: Post—June 30th Redesign**

Ginny walked through the post-June 30<sup>th</sup> redesign activities and key milestones, and explained that future RWG meetings have been timed to correspond with major deliverables, as requested by the RWG at the May 11<sup>th</sup> meeting. HCD was reminded about the importance of RWG members receiving meeting materials at least three days in advance of meetings, when possible.

Ginny also explained that HCD is committed to future NOFAs (post-redesign) being consistently released in January. Members applauded that commitment and further recommended awards in June, with contract execution in August. This allows for awarded grantees to commence prep work while pending receipt of standard agreement. The expectation is an increase in the expenditure rate.

Additional information of post-June 30<sup>th</sup> redesign is included in the SB 106 report, including the dates for NOFA release which were subsequently changed as per SB 106 report. As part of guidelines, stakeholders and jurisdictions will have the opportunity to discuss the optimum NOFA cycle.

### **Next Steps/Action Items**

These items will all become part of the agendas for future RWG meetings.

- Develop and review transition/implementation roadmap. (Note: this is included in SB 106 Report.).
- Develop and implement Issue Log/FAQ template and decision process map to improve consistency and timeliness of responses to grantees and stakeholders.
- Draft SB 106 talking points for RWG members to use in expanding outreach and awareness of the SB 106 Report and CDBG redesign.
- Address PI issues and questions, including how the PI cap of \$250,000 will work.
- Develop strategy to identify and prioritize eligible activities.

- Explore re-establishing an external ED OTC loan committee comprised of underwriters and others with ED expertise. Also explore as an alternative requiring jurisdictions to complete underwriting for ED projects prior to submitting their applications. Gurbax will develop a list of potential members for HCD.

**Next Meeting:**

The next meeting will be held at HCD headquarters on July 13, 2018 from 9:30am to 2:30pm.